

China Retail

Top 100 retail chain operators in China, 2016 - Key findings and takeaways

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Key takeaways

- On 17 May 2017, the China Chain Store and Franchise Association (CCFA) released its annual list of “the Top 100 Retail Chain Operators in China” (the Top 100s).
- Total sales of the Top 100s in 2016 were 2.1 trillion yuan, up 3.5% year-on-year (yoy), the slowest growth rate since 2008. Total sales of the Top 100s accounted for 6.4% of the total retail sales of consumer goods.
- Suning Commerce Group, Gome Electrical Appliances and China Resources Vanguard remained the top three retail chain operators by retail sales, with no change in the rankings over the previous year.
- By retail format, convenience stores recorded the highest yoy sales growth of 16.7% yoy in 2016, while department stores saw negative sales growth. Convenience chain store operators opened the most new stores as they sought to expand their retail network, while department stores and large-scale supermarkets continued to close unprofitable stores.
- Online sales continued to see fast growth, reaching 120 billion yuan, up 69% yoy and accounting for 5.7% of the total sales of the Top 100s. 56.7% of the sales were made via mobile devices.
- Over 80 enterprises have launched their own private labels. That said, private labels only accounted for around 5% of the total sales of the Top 100s.
- Fung Business Intelligence believes that small-format stores will continue to lead the retail market in terms of sales growth. Adopting new technologies, revamping stores, improving product offerings and product quality, and providing all-round services to consumers are some common ways for retailers to stand out in the “New Retail” era. Transformation of traditional retailers is an inevitable trend going forward.

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Major findings

Growth pace of the Top 100s continues to slow in 2016

Total sales of the Top 100s in 2016 amounted to 2.1 trillion yuan, up 3.5% yoy, the slowest growth since 2008. The growth rate for the Top 100s was slower than for national total retail sales of consumer goods (Exhibit 1) and varied considerably from one enterprise to another. Those enterprises that have revamped their business models to adapt to the changing consumer demands showed better performance.

Exhibit 1: Performance of the Top 100 retail chain operators, 2008 – 2016

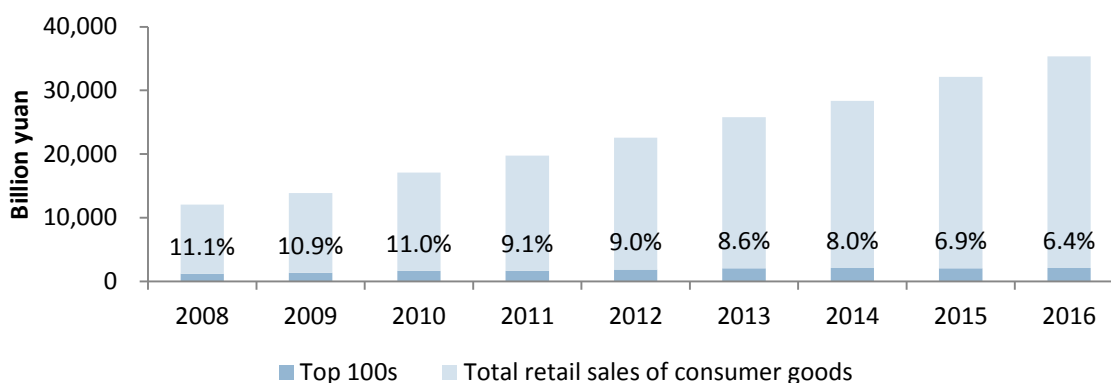
Year	Retail sales of Top 100 retail chain operators (billion yuan)	yoy growth of Top 100 retail chain operators (%)	yoy growth of national total retail sales of consumer goods (%)
2008	1,199.9	18.4	21.6
2009	1,360.0	13.5	15.5
2010	1,660.0	21.2	18.4
2011	1,650.7	20.0*	17.1
2012	1,870.0	10.8	14.3
2013	2,039.1	9.9	13.1
2014	2,096.4	5.1	12.0
2015	2,062.8	4.3	10.7
2016	2,114.0	3.5	10.4

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

*Adjusted growth rate

As shown in Exhibit 2, total sales of the Top 100s accounted for 6.4% of total retail sales of consumer goods. China's retail market remains highly fragmented.

Exhibit 2: The Top 100s' share in national retail sales, 2008-2016



Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

Exhibit 3 shows the Top 10 retail chain operators ranked by retail sales in 2016. Suning Commerce Group ranked the top with total sales of 173.5 billion yuan, followed by Gome Electrical Appliances and China Resources Vanguard. The rankings for the top 10 enterprises are the same as the previous year.

Exhibit 3: Top 10 chain retailers, 2016 (Ranked by retail sales)

Rank in 2016	Name of company	Sales, pre-tax (million yuan)	yoy growth (%)	Number of stores	yoy growth (%)
1	Suning Commerce Group Co., Ltd. ①	173,500*	9.4	1,510	-4.2
2	Gome Electrical Appliances Holding Ltd.	164,693	7.2	1,628	-9.4
3	China Resources Vanguard Co. Ltd. ②	103,495	-5.4	3,224	-5.1
4	Sun Art Retail Group Ltd. ③	93,290	4.0	368	9.9
5	Wal-Mart (China) Investment Co., Ltd.	76,698	4.3	439	1.6
6	Shandong Commercial Group Co., Ltd.	63,389	-0.5	755	2.0
7	Lianhua Supermarket Holdings Co., Ltd. ④	59,785	-1.1	3,648	-6.7
8	Chongqing General Trading (Group) Co., Ltd.	56,114	-5.6	324	-4.7
9	Yum! Brands Inc., China Division⑤	54,450	5.3	7,500	7.1
10	Yonghui Superstores Co., Ltd.	54,408	10.3	487	25.5

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

*Note: Estimated value

① Suning Commerce Group Co., Ltd. is under Suning Holdings Group Co., Ltd.

② Sales of China Resources Vanguard Co. Ltd. included sales of Suguo Supermarket. The pre-tax sales for Suguo Supermarket was 30,800 million yuan in 2016.

③ Sales of Sun Art Retail Group Ltd. excluded sales of its e-commerce platform feiniu.com .

④ Sales of Lianhua Supermarket Holdings Co., Ltd. included sales of Carrefour in Shanghai.

⑤ Sales of Yonghui Superstores Co., Ltd. was US\$8,200 million as reported in the annual report.

34 enterprises out of the Top 100s recorded negative sales growth in 2016, compared with 31 enterprises in 2015.

Enterprises have striven to streamline their operations and introduce innovative business ideas to improve their profit margin. Net profit margin was 2.4%, up 0.5 ppt from the previous year.

The yoy growth of total number of stores of the Top 100s in 2016 was 5.9%, increased slightly from 4.7% in 2015. 15 enterprises from the Top 100s opened more than 100 stores in 2016, and most of them are convenience store and professional store operators; store openings for department stores and hypermarkets remained limited. 36 enterprises in the Top 100s list have fewer stores than in the previous year.

Rising rental and labour costs continued to exert pressure on the Top 100s, but the situation improved slightly compared with the previous year. Many enterprises sought to reduce labour costs by cutting the number of full-time staff. Total number of staff decreased by around 5% yoy in 2016.

Small-format retailers continue to win over big box players

Smaller-sized store format, particularly convenience stores, continued to gain traction. They can provide products targeting specific groups of consumers, and more value-added services such as pick-up services for online orders, offline payment services, etc. In 2016, convenience stores recorded remarkable sales growth of 16.7% yoy. Specialty store and professional store also achieved sustainable sales growth of 6.5% yoy. On the contrary, department stores recorded negative sales growth of -2.5% yoy (Exhibit 4).

Exhibit 4: Yoy growth of the Top 100s, by retail format, 2016

Retail format	yoy growth of sales (%)
Convenience stores	16.7
Specialty stores and professional stores	6.5
Shopping malls	1.6
Hypermarkets and supermarkets	1.5
Department stores	-2.5

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

Exhibit 5-7 show the top convenience store operators, FMCG players and department store operators among the Top 100s respectively.

Exhibit 5: Top 10 convenience store operators among the Top 100s, 2016 (Ranked by number of stores)

Rank in 2016	Enterprise	Convenience store brand	No. of stores	yoy growth (%)
1	Sinopec Group	Easy Joy	25,000	3.3
2	PetroChina Co., Ltd.	uSmile	17,000	3.0
3	Dongguan Sugar & Liquor Group Meiyijia Convenience Store Co., Ltd.	Meiyijia	9,300	25.7
4	Guangdong Tianfu Chain Business Co., Ltd.	Tianfu	3,311	17.0
5	Chengdu Hongqi Chainstore Co., Ltd.	Hongqi	2,704	18.9
6	C&U Group	Shizu; Zhishang	1,936	18.6
7	FamilyMart China	FamilyMart	1,810	20.6
8	Shanghai Lianhua Quik Convenience Stores Co, Ltd.	Quik	1,551	-3.3
9	Nonggongshang Group	Kedi; Alldays	1,400*	-6.7
10	Shanxi Taiyuan Tangjiu Supermarket. Co., Ltd.	Tangjiu	1,420	2.2

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

*Note: Estimated value

Exhibit 6 | Top 10 FMCG players among the Top 100s, 2016 (Ranked by retail sales)

Rank in 2016	Name of company	Sales, pre-tax (million yuan)	yoy growth (%)	Number of stores	yoy growth (%)
1	China Resources Vanguard Co. Ltd. ①	103,495	-5.4	3,224	-5.1
2	Sun Art Retail Group Ltd. ②	93,290	4.0	368	9.9
3	Wal-Mart (China) Investment Co., Ltd.	76,698	4.3	439	1.6
4	Lianhua Supermarket Holdings Co., Ltd. ③	59,785	-1.1	3,648	-6.7
5	Yonghui Superstores Co., Ltd.	54,408	10.3	487	25.5
6	Carrefour China Inc. ④	50,475	25.9	319	36.3
7	Sinopec Group (Easy Joy)	35,100	41.0	25,000	3.3
8	Better-Life Commercial Chain Share Co., Ltd.	32,145	3.6	590	2.3
9	Wumart Stores Inc.	29,903	13.9	566	2.5
10	Nonggongshang Supermarket (Group) Co., Ltd.	27,656	-3.0	2,317	-7.1

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

*Note: Estimated value

① Sales of China Resources Vanguard Co. Ltd. included sales of Suguo Supermarket.

② Sales of Sun Art Retail Group Ltd. excluded sales of feiniu.com .

③ Sales of Lianhua Supermarket Holdings Co., Ltd. included sales of Carrefour in Shanghai.

④ Sales of Carrefour China Inc. was adjusted.

Exhibit 7 | Top 10 department store operators among the Top 100s, 2016 (Ranked by retail sales)

Rank in 2016	Name of company	Sales, pre-tax (million yuan)	yoy growth (%)	Number of stores	yoy growth (%)
1	Beijing Wangfujing Department Store (Group) Co., Ltd.	27,591	0.1	52	15.6
2	Rainbow Department Store Co., Ltd. (Department stores, shopping malls)	24,825	1.1	67	3.1
3	Wuhan Department Store Group Co., Ltd (Department stores, shopping malls)	23,041	10.2	11	0.0
4	Zhenghua Department Store Development Co., Ltd. (Department stores)	20,783	-2.3	35	2.9
5	Intime Retail Group Co., Ltd.	19,732	5.8	49	8.9
6	Dalian Dashang Group Co., Ltd. (Department stores)	19,200*	-10.5	93	1.1
7	Bailian (Group) Co., Ltd. (Department stores, shopping malls)	18,700*	-8.0	46	4.5
8	Liqun Group Co., Ltd.	18,041	-4.0	82	3.8
9	Golden Eagle Retail Group Ltd.	17,019	-1.2	31	6.9
10	Yingzuo Group (Department stores)	16,759	-0.3	99	6.5

Source: China Chain Store and Franchise Association, compiled by Fung Business Intelligence

*Note: Estimated value

Embracing digital strategies is a key theme

(1) Online sales continue to see fast growth; more than half of the online sales are made via mobile devices

Online sales of the Top 100s reached 120 billion yuan, up 69% yoy, accounting for 5.7% of the total sales of the Top 100s. Of which, 56.7% of the sales were made via mobile devices, up 16.1 ppt from the previous year. The average order size was around 280 yuan, and average order size for FMCG online retailers was around 80 yuan.

According to the top 100s list, the top 100s generated most of their online sales from self-operated platforms. Nearly half of the enterprises reported that their online sales were generated entirely from self-operated online platform. On average, the number of staff for online operation was less than 50.

(2) Mobile payment remains a major trend

Third-party mobile payment is one of the most important payment methods in China. On average, 16% of the payments were made by third-party mobile payment tools in 2016.

(3) Cross-border e-commerce contributes little to total retail sales, but more retailers sells CBEC goods in-store

At the moment, cross-border e-commerce (CBEC) business contributes little to the total retail sales of the Top 100s. However, increasing numbers of enterprises sell CBEC products in-store. In 2016, 28 enterprises in the top 100 list sold CBEC products in their shops, up from 18 in the previous year.

Over 80% of the Top 100s have their private labels

Among the Top 100s, over 80 enterprises have launched their own private labels. That said, private labels only accounted for around 5% of the total retail sales of the Top 100s. The average SKUs of private labels were 1,200.

Top 100s focus on getting more sales from members

The Top 100s have spent more efforts in building their membership database, with a hope to get more sales from their members. In 2016, 54.5% of the total sales of the Top 100s were contributed by members, up from 51.8% in 2015. Many of them engage big data analytics to gather information and buying preferences of loyal members and provide customized products recommendation and personalized services for them.

Conclusion

The Top 100s, especially department store and large-scale supermarket operators, have experienced slower sales growth over recent years. The slowdown in economic growth, rising operating costs and fierce competition from e-commerce players have and will continue to pose major challenges for the Top 100s. Reducing the number of full-time staff and closing unprofitable stores are some common ways to cut costs. Some enterprises have striven to streamline organizational structure to increase efficiency. Undergoing store revamp and improving product offerings and product quality are also key initiatives undertaken by retailers to upgrade their operations.

Recognizing small-format store is now the fastest-growing format, some retailers have branched out into smaller-scale stores. Smaller outlets provide a quicker and more convenient shopping experience for customers. By adopting a multi-format strategy, they hope to expand their business scope and create multiple income streams.

In today's "New Retail" era, many enterprises in the Top 100s list have rolled out strategies in all time and via all channels to reach out to consumers. Adopting robust omni-channel is a must, and at the same time, attracting and retaining loyal customers is equally important. Fung Business Intelligence expects retailers will continue to embrace new technologies and invest in multi-channel capabilities to meet the changing needs of Chinese customers. Transformation of traditional retailers is an inevitable trend.

Reference

Please click [here](#) for the full report by CCFA (in Chinese).

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